Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Federal-State Joint Board	)	CC Docket No. 96-45
on Universal Service	)	

To the Joint Board:

Comments of

CONSUMER FEDERATION OF AMERICA

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SUMMARY

Definitions Issues

Current rates for service are by no means affordable as the study in Attachment I indicates. Among lower income households, current rates take a disproportionately large share of the income of the household and the penetration of services is far from universal.

Subscribership is one aspect of universal service. Burden, expenditures as a percentage of income, is another aspect of universal service. These two fundamental aspects of universal service must not be measured solely as national averages, however. The remaining areas where universal service has not been achieved is a problem of specific subgroups where rates are not affordable.

The fundamental disadvantage of using a national benchmark rate is that such a rate does not reflect the wide range of income earned by households. It leaves lower income households, precisely the households who are the targets of assistance-based universal service policy, to bear a disproportionate burden to obtain and use telecommunications service. A much more preferable approach is to identify a target percentage of income, specific to households, to define the benchmark rate that is deemed to be affordable.

Contrary to the mismatch presumed by the Commission's question, loop costs are recovered from the full range of services that utilize the loop. Most jurisdictions treat loop costs as joint and common costs, allocating those costs to other services, such as intraLATA long distance. For the vast majority of subscribers, basic service rates cover the portion of common costs allocated to basic service plus other costs associated with basic service.

Schools, Libraries, Health Care Providers

CFA supports a policy which encourages these institutional users to select only those services which will best meet their particular needs. This can be done effectively by using the pricing approach we advocate in response to question 16 *infra.* which requires economically rational decision making by the institutions. The Commission should not give particular institutions services that they may not be able to use or may not meet their needs.

The legislative language is at best unclear with respect to inside wiring and other internal connections. In light of the Commission's position regarding inside wiring generally, that inside the home or premises it is the property and responsibility of the property owner, it is difficult to create a rationale for including these facilities and equipment in the definition of universal service for schools and libraries. We do believe, however, that there is an important leadership role to be played by the Commission in working with the institutional users, companies and state and local governments to assist schools and libraries in preparing their buildings for access to communications and data services.

Section 706 is designed primarily as a review mechanism so that regulators can monitor

and evaluate the development of access to advanced services by institutional users. Until the universal service policies are put in place and permitted to operate, there is no need for the Joint Board to concern itself with this section. As universal provides a mechanism by which institutional users will gain access to a variety of services, Section 708 gives the Commission a tool to help provide the equipment and training necessary inside the school and library buildings so these users can take advantage of the discounts provided for in Section 254.

The key to promoting competition is to require an open, competitive bidding process. Once a school or library district determines the kinds of functionalities it wants it can put out bids allowing anyone, regardless of technology, to provide the requested services to the institutional user. The company with the lowest rate before the discount should win the contract.

The Commission should establish a reasonable range for the discount and allow the states and the competitive bidding process to determine exactly where the precise rates are set. Because the legislation does not permit a "subsidy" for schools and libraries, the acceptable discount can be no lower than the incremental cost of the service. At the upper end, the formula should yield a discount of 50 percent off of the tariffed rate or prices no higher than the best price available to a companies' large commercial customers for a similar service, whichever is lower.

The Commission should not discourage good corporate citizenship. If companies are already providing or wish to provide services to schools and libraries for free or at rates below TSLRIC that would be permitted. For services that are already being offered, for which companies are not currently being compensated, they should receive no compensation.

Additional provisions may need to be made for more needy school districts. A variation on the approach for measuring affordability advocated in Attachment I could be applied to needy institutional users as well. Additional discount programs should be created based on factors such as median household income of the relevant school or library district, property values or population density.

Using an affordability measure as outlined in Attachment I could provide a good model for developing a sliding scale once more schools and libraries are purchasing advanced telecommunications services. Over the long term, a sliding scale approach based on affordability may prove to be a good system which minimizes the burden on the universal service fund while delivering services to the institutions that need them most.

High Cost Fund

The Commission must ensure that funds are targeted only to areas where they are needed and only to defray legitimate costs of basic service. Excess profits, inefficiencies, strategic investment, and misallocated costs should not be supported by the high cost fund.

There are no advantages to using the book costs of incumbent local carrier. To the extent that these costs embody excess profits, inefficiency, or strategic investments, using these costs would institutionalize costs that should not be recovered in the cost of basic service and could not be recovered in the competitive marketplace. It would create an umbrella price that would create excess profits for all telecommunications service providers.

Price cap companies should be eligible for high-cost support only if the price cap includes an exogenous factor which allows adjustment in rates for high-cost funds in both directions (up and down) and distinguishes regulatory impacts from competitive impacts. Lost revenues associated with the loss of a customer must not be replaced or compensated in any way by high costs funds.

Proxy Models

Efforts to define least cost, forward looking benchmark costs for basic service must also take into account costs which can (should) be allocated to or revenues which can (should) be claimed from other services. This allocation process is properly recognized and required by section 254 (k).

Proxy models identify least cost, forward looking stand alone costs for telephone service. As long as they consider the full range of technologies available, they are technologically neutral because they choose the lowest costs approach, regardless of technology.

Competitive Bidding

Low bidder takes all. The winning bidder should be awarded all of the subsidy for the area in which that bidder proposed to provide service. Losing bidders should not be allowed to receive any subsidy for the area. Winning bidders should be required to provide service at bid prices for the full term of the contract.

Benchmark Cost Model (BCM)

The book costs of incumbents are roughly twice the benchmark costs because the book costs include excess profits, inefficiencies, strategic investments, and misallocated costs.

The assumption of the BCM, for purposes of estimating a national total high-cost fund, is that only basic service rates are taken into account in calculating the fund. To the extent that other services utilize the same facilities (i.e. share joint and common facilities), costs must be allocated to those services or revenues from those services must be taken into account.

SLC/CCLC

We believe that the CCL is a charge for use of joint and common facilities. It may embody some excess profits and inefficiencies at present. A flat rate, channel charge would also be appropriate as a mechanism for the recovery of loop costs.

The lifeline and link-up programs should be supported from the new universal service fund.

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To the Joint Board:

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CONSUMER FEDERATION OF AMERICA

The Consumer Federation of America (CFA) respectfully submits these responses to specific questions of the Common Carrier Bureau of the Federal Communications Commission (Commission) in the above referenced docket.

1 <u>Is it appropriate to assume that current rates for services included within the definition of universal service are affordable, despite variations among companies and service areas?</u>

No it is not, as Appendix I, a joint study of universal service prepared by the Consumer Federation of America and the Benton Foundation, shows. Among lower income households, current rates take a disproportionately large share of the income of the household and the penetration of services is far from universal.

2. <u>To what extent should non-rate factors, such as subscribership level, telephone expenditures as a percentage of income, cost of living, or local calling area size be considered in determining the affordability and reasonable comparability of rates?</u>

Each of these factors should be considered in designing and evaluating universal service policy. There is no simple answer to the question of what is universal service and measuring when it is achieved.

Subscribership is one aspect of universal service. Burden, expenditures as a percentage of income, is another aspect of universal service. These two fundamental aspects of universal service must not be measured solely as national averages, however. The remaining areas where universal service has not been achieved is a problem of specific subgroups where rates are not affordable.

The local exchange companies who misapplied the percentage of income concept to assert that a national average rate of $28 per month is affordable, totally misunderstood the concept of affordability. At lower income levels, affordable rates are only in the range of a few dollars per month (see Appendix I). Several jurisdictions have adopted policies to make service available to their low income populations at those levels.

Calling area is an important factor in determining the relative comparability of service between rural and urban areas The Commission should define basic service to include usage of the network for routine daily communications. In rural areas, many such calls may require long distance charges. This should be taken into account when calculating a comparable bill.

3. When making the "affordability" determination required by section 254 (i) of the Act, what are the advantages and disadvantages of using a specific national benchmark rate for core services in a proxy model?

The fundamental disadvantage of using a national benchmark rate is that such a rate does not reflect the wide range of income earned by households. It leaves lower income households, precisely the households who are the targets of assistance-based universal service policy, to bear a disproportionate burden to obtain and use telecommunications service.

A much more preferable approach is to identify a target percentage of income, specific to households, to define the benchmark rate that is deemed to be affordable.

4. What are the effects on competition if a carrier is denied universal service support because it is technically infeasible for that carrier to provide one or more of the core services?

Carriers who cannot provide core services can compete for those market segments which do not demand core services. However, the Congressional commitment to universal service demands high quality service, as defined by the Commission. Carriers who cannot deliver high quality services including the full range of services included in the definition of universal service, fail to meet the public policy goal articulated by the Congress. There is no relevant impact on competition since these carriers do not compete in the relevant universal service market.

5. <u>A number of commenters proposed various service to be included on the list of supported services, including access to directory assistance, emergency assistance, and advanced services. Although the delivery of these services may require a local loop, do loop costs accurately represent the actual cost of providing core services? To the extent that loop costs do not fully represent the costs associated with including a service in the definition of core services, identify and quantify other costs to be considered?</u>

The question presumes that basic service rates are tied to loop costs. That simply is not the case, nor should it be. Loop costs are recovered from the full range of services that utilize the loop. Therefore, the mismatch between costs and rates presumed by the question has not been demonstrated.

As a general principle, estimation of costs for the elements of basic service should be inclusive. However, joint and common costs should be taken into account. Other revenue sources should also be taken into account. For example, in many jurisdictions directory assistance calls are billed. To the extent that typical usage makes a contribution to the cost of that service, this fact should be taken into account. Similarly, most jurisdictions treat loop costs as joint and common costs, allocating those costs to other services, such as intraLATA long distance. For the vast majority of subscribers, basic service rates cover the portion of common costs allocated to basic service plus other costs associated with basic service.

6. Should the services or functionalities eligible for discounts be specifically limited and identified, or should the discount apply to all available services?

It would likely place too great a burden on the Commission to determine exactly what services schools, libraries and health care facilities should be entitled to at a discount. In addition, the Commission should not give particular institutions services that they may not be able to use or may not meet their needs. We support a policy which encourages these institutional users to select only those services which will best meet their particular needs. This can be done effectively by using the pricing approach we advocate in response to question 16 *infra.* which requires economically rational decision making by the institutions.

7. Does Section 254(h) contemplate that inside wiring or other internal connections to classrooms may be eligible for universal service support of telecommunications services provided to schools and libraries? If so, what is the estimated cost of the inside wiring and other internal connections?

The legislative language is at best unclear with respect to inside wiring and other internal connections. In light of the Commission's position regarding inside wiring generally, that inside the home or premises it is the property and responsibility of the property owner, it is difficult to create a rationale for including these facilities and equipment in the definition of universal service for schools and libraries

We do believe, however, that there is an important leadership role to be played by the Commission in working with the institutional users, companies and state and local governments to assist schools and libraries in preparing their buildings for access to communications and data services. We do not believe, however, that the universal service fund can be used to provide this equipment and training.

8. <u>To what extent should the provisions of Sections 706 and 708 be considered by the Joint Board and relied upon to provide advanced services to schools, libraries and health care providers?</u>

Section 706 is designed primarily as a review mechanism so that regulators can monitor and evaluate the development of access to advanced services by institutional users. Until the universal service policies are put in place and permitted to operate, there is no need for the Joint Board to concern itself with this section. It may be appropriate to revisit this issue when the universal service program is being reviewed generally.

With respect to Section 708, Congress intended to deal with the difficult issues of equipment, including wiring classrooms, and training. We believe this fund is designed to be the flip side of the universal service provisions in the law. That is, as universal provides a mechanism by which institutional users will gain access to a variety of services, Section 708 gives the Commission a tool to help provide the equipment and training necessary inside the school and library buildings so these users can take advantage of the discounts provided for in Section 254.

9. How can universal service support for schools, libraries, and health care providers be structured to promote competition?

The key to promoting competition is to require an open, competitive bidding process. Once a school or library district determines the kinds of functionalities it wants it can put out bids allowing anyone, regardless of technology, to provide the requested services to the institutional user. The company with the lowest rate before the discount should win the contract.

The goal of this program should be to maximize the value of our social investment. This means encouraging companies to come in with bids as low as possible and continually reduce the burden on the universal service fund. In a declining cost business like telecommunications, this can help capture some of the benefits of the declining costs for captive ratepayers as well as the institutional users.

12. Should discounts be directed to the states in the form of block grants?

In a dynamic, declining cost industry like telecommunications, this would not be an effective policy. It could also discourage these institutional users from making the difficult budgeting decisions that will lead to the most efficient use of this program.

15. What is the least administratively burdensome requirement that could be used to ensure that requests for supported telecommunications services are bona fide requests within the intent of Section 254?

A reasonable balance would be struck by requiring these institutional users to comply with standard procurement procedures (which will be in place for most if not all of these institutions) combined with random audits by the universal service fund administrators. The universal service review requirements which are part of the Act will also provide reasonable opportunities to uncover any abuses. Anyone that suspects abuses should be permitted to complain directly to the universal service fund administrator or the Commission.

16. What should be the base service prices to which discounts for schools and libraries are applied: a) total service long-run incremental cost; (b) short-run incremental costs; © best commercially-available rate; (d) tariffed rate; (e) rate established through a competitively-bid contract in which schools and libraries participate; (f) lowest of some group of the above; or (g) some other benchmark? How could the best commercially-available rate be ascertained, in light of the fact that many such rates may be established pursuant to confidential contractual arrangements?

The Commission should establish a reasonable range for the discount and allow the states and the competitive bidding process to determine exactly where the precise rates are set. Because the legislation does not permit a "subsidy" for schools and libraries, the acceptable discount can be no lower than the incremental cost of the service. While the Commission has decided to use a TELRIC approach for purposes of pricing unbundled network elements, since schools are purchasing services, TSLRIC makes more sense. At the upper end, the formula should yield a discount of 50 percent off of the tariffed rate or prices no higher than the best price available to a companies' large commercial customers for a similar service, whichever is lower.

Since companies frequently offer large discounts to their large commercial customers it would impose no burden on the company to provides these rates, which the company has been willing to make available in the marketplace. If the best commercial rate is lowest then there should be a determination as to what, if any, reimbursement from the fund is appropriate. With respect to concerns about confidentiality of commercial contracts, the regulators and institutions can adequately protect any legitimate confidentiality needs of the companies.

17. How should discounts be applied, if at all, for schools and libraries and rural health care providers that are currently receiving special rates?

The Commission should not discourage good corporate citizenship. If companies are already providing or wish to provide services to schools and libraries for free or at rates below TSLRIC that would be permitted. However, these companies must be limited with respect to the amount of money they can take from the universal fund to provide these services. For services that are already being offered, for which companies are not currently being compensated, they should receive no compensation.

For instance, in California where Pacific Telesis has offered ISDN to schools for free for a year, they could not recover from the universal service fund. In fact, such a policy could help encourage a vigorous competitive bidding process. In addition to the best rate under the formula, companies could also provide additional discounts for which they could not be compensated by the fund in an effort to get the business of the school or library district. We believe this would provide an excellent opportunity to create demand for new services at home where interested consumers could choose to purchase services which were first available through schools and libraries.

19. Should an additional discount be given to schools and libraries located in rural, insular, high-cost and economically disadvantaged areas? What percentage of telecommunications services (e.g. Internet services) used by schools and libraries in such areas are or require toll calls?

Additional provisions may need to be made for more needy school districts. A variation on the approach for measuring affordability advocated in Attachment I could be applied to needy institutional users as well. Additional discount programs should be created based on factors such as median household income of the relevant school or library district, property values or population density. Affordability levels can be established for school or library districts based on the percentage of budget spent on telecommunications services. In light of the many relevant institutions who do not currently have service, these levels will need to be reviewed and updated regularly.

21. <u>Should the Commission use a sliding scale approach (i.e., along a continuum of need) or a step approach (e.g., the Lifeline assistance program or the national school lunch program) to allocate any additional consideration given to schools and libraries located in rural, insular, high-cost, and economically disadvantaged areas?</u>

Using an affordability measure as outlined in Attachment I could provide a good model for developing a sliding scale once more schools and libraries are purchasing advanced telecommunications services. With penetration levels relatively low today, such an approach may not yet be practical. Over the long term, however, a sliding scale approach based on affordability may prove to be a good system which minimizes the burden on the universal service fund while delivering services to the institutions that need them most.

26. <u>If the existing high-cost support mechanism remains in place (on either a permanent or temporary basis), what modifications, if any, are required to comply with the Telecommunications Act of 1996?</u>

It is not necessary to make modifications on a temporary basis. However, if the current mechanism is to be preserved on a permanent basis, competitive neutrality is the only condition that must be ensured. Competitive neutrality requires ensuring that all telecommunications service providers contribute to the high cost fund and be allowed to draw from the fund in an equitable manner.

27. If the high-cost support system is kept in place for rural areas, how should it be modified to target the fund better and consistently with the Telecommunications Act of 1996?

The Commission must ensure that funds are targeted only to areas where they are needed and only to defray legitimate costs of basic service. Excess profits, inefficiencies, strategic investment, and misallocated costs should not be supported by the high cost fund. Therefore, the Commission should change the cost basis for the fund from the claimed historical costs of the companies to a benchmark costs approach that pays only on the basis of least cost, forward looking telephone only costs.

28. What are the potential advantages and disadvantages of basing the payments to competitive carriers on the book costs of the incumbent local exchange carrier operating the same service area?

There are no advantages to using the book costs of incumbent local carrier. To the extent that these costs embody excess profits, inefficiency, or strategic investments, using these costs would institutionalize costs that should not be recovered in the cost of basic service and could not be recovered in the competitive marketplace. It would create an umbrella price that would create excess profits for all telecommunications service providers. There is no incentive for entrants to compete away these excess profits. To the extent that the book costs are equal to the least cost, forward looking costs, there is no advantage gained by using book costs, since they would be equal to forward-looking costs.

29. Should price cap companies be eligible for high-cost support, and if not how would the exclusion of price cap carriers be consistent with the provision of section 214 (c) of the Communications Act? In the alternative, should high-cost support be structured differently for price cap carriers than for other carriers?

Price cap companies should be eligible for high-cost support only if the price cap includes an exogenous factor which allows adjustment in rates for high-cost funds in both directions (up and down) and distinguishes regulatory impacts from competitive impacts. If the price cap was based upon an assumption about the level of high cost support and the level of high cost support changes, then rate payers and the company have a legitimate claim to changes in rates. The adjustment of rate must not indemnify companies against competition, however. Loss of high-costs support must be distinguishable from competitive loss of revenue. Lost revenues associated with the loss of a customer must not be replaced or compensated in any way by high costs funds.

30. If price cap companies be eligible for high-cost support or receive high-cost support on a

different basis than other carriers, what should be the definition of a "price cap" company? Would companies participating in a state, but not a federal, price cap plan be deemed price cap companies? Should there be a distinction between carriers operating under price caps and carriers that have agreed, for a specific period of time, to limit increases in some or all rates as part of a "social contract" regulatory approach?

See the response to 29. To the extent that social contracts incorporate exogenous factors as described in 29, they too should allow the receipt of high-cost funds.

31. If a bifurcated plan that would allow the use of book costs (instead of proxy costs) were used for rural companies, how should rural companies be defined?

A bifurcated plan should not be allowed. Least cost, forward looking costs must be the basis of universal service funds.

32. If such a bifurcated approach is used, should those carriers initially allowed to use book costs eventually transition to a proxy system or a system of competitive bidding? If these companies are transitioned from book costs, how long should the transition be? What would be the basis for high-cost assistance to competitors under a bifurcated approach, both initially and during a transition period?

If the Commission deems that the development of proxy costs for rural areas requires more time, rural companies should be subject to a full cost proceeding at the outset to establish the current basis for high-cost recovery. The proxy cost model should be developed in a short period of time, e.g. one year. The companies could transition to the proxy-based support level over the course of three years.

33. If a proxy model is used, should carriers serving areas with subscription below a certain level continue to receive assistance at levels currently produced under the HCF and DEM weighting subsidies?

The companies should receive the level of funding dictated by the proxy cost model.

34. What, if any, programs (in addition to those aimed at high-cost areas) are needed to ensure that insular areas have affordable telecommunications service?

None.

35. US West has stated that an industry task force "could develop a final model process utilizing consensus model assumptions and input data." US West comments at 10. Comment on US West's statement, discussing potential legal issues and practical considerations in light of the requirement under the 1996 Act that the Commission take final action in this proceeding within six months of the Joint Board's recommended decision?

Having observed very adverse outcomes to US West's cost approaches in Washington and Iowa, as well as within the development of the Benchmark Cost Model, we doubt that a consensus can be achieved. The Commission can seek inputs from the various parties to the debate over cost models, but this process should not be allowed to slow the progress toward competition.

36. <u>What proposals, if any, have been considered by interested parties to harmonize the differences among the various proxy cost proposals? What results have been achieved?</u>

No answer.

37. <u>How does a proxy model determine costs for providing only the defined universal service core services?</u>

The models identify the minimum set of costs necessary to supply local telephone service. It should be recognized that in building such a stand alone system, these models include joint and common facilities and functionalities that support and are used by other services. Minimum efficient scale and scope of production in today's telecommunications industry are larger than basic service alone. Therefore, efforts to define least cost, forward looking benchmark costs for basic service must also take into account costs which can (should) be allocated to or revenues which can (should) be claimed from other services. This allocation process is properly recognized and required by section 254 (k).

38. How should a proxy model account for changes in the definition of core services or in the technical capabilities of various types of facilities?

See response to 37. The least cost facilities should be based upon reasonable projections of economies of scale and scope enjoyed by specific technologies. Economies of scale and scope should be shared between basic and other services according to the cost allocation principle in section 254 (k) of the Act.

39. Should a proxy model account for the cost of access to advanced telecommunications and information services, as referenced in section 254 (b) of the Act? If so, how should this occur?

Only where these services are included in the definition of universal service or the functionalities necessary are joint and common with the least cost telephone network. For example, digital line carrier is the least cost architecture for much of basic service. Much of the functionality for ISDN service is included in the digital switch deployed for basic service, but incremental costs of ISDN can be identified and separated out for purposes of universal service analysis.

40. If a proxy model is used, what if any, measures are necessary to assure that urban rates and rates in rural, insular, and high-cost areas are reasonably comparable, as required in section 254(b)(3) of the 1996 Act?

Comparability of rates is not a function of the cost model employed. The cost model will identify differences in costs between rural and urban areas. To the extent that comparable rates charged might not cover differences in costs, this would be the proper area for universal service fund cost recovery.

41. How should support be calculated for those areas (e.g. insular areas and Alaska) that are not included under the proxy model?

The Commission should encourage the development of a proxy cost model. If no such model can be developed, then fully litigated cost proceedings must be conducted to provide the basis for any permanent change in high-cost/universal service funding.

42. Will support calculated using a proxy model provide sufficient incentive to support infrastructure development and maintain quality service?

Support calculated using a proxy cost model will provide economically efficient incentives to support infrastructure development and maintain service quality. Attempting to incent infrastructure deployment by providing uneconomic subsidies is bad public policy.

43. Should there be recourse for companies whose book costs are substantially above the costs projected for them under a proxy model? If so, under what conditions (for example, at what cost levels above the proxy amount) should carriers be granted a waiver allowing

alternative treatment? What standards should be used when considering such requests?

Companies who claim costs that are substantially above the proxy costs projections should be required to show that the differences are not the result of excess profits, inefficiencies, strategic investment, or misallocated costs. Differences that remain after a fully litigated cost proceeding should be recovered if they exceed the projected costs by more than 15 percent. This is the current threshold for drawing from the high cost fund.

44. How can a proxy model be modified to accommodate technological neutrality?

Proxy models identify least cost, forward looking stand alone costs for telephone service. As long as they consider the full range of technologies available, they are technologically neutral because they choose the lowest costs approach, regardless of technology. They do not need to be modified. A company that chooses a technology that is not the least cost approach should not be compensated for that inefficient choice.

45. Is it appropriate for a proxy model adopted by the Commission in this proceeding to be subject to proprietary restriction, or must such a model be a public document?

Because the high-cost fund is essentially a taxing mechanism administered by the federal government, it would be best to have a fully disclosed public document underlying the allocation of these funds. If it is not possible to meet the mandates of the law and still protect the legitimate commercial interest of local exchange companies seeking high-cost funds, then the model must be subject to full regulatory scrutiny, as is currently the practice in most states.

If the document is not a public document, then there must be a fully litigated cost case to ensure that the high-cost fund is not abused. In the context of that case, all representatives of the public (e.g. Attorneys General, People's Counsels, Public Utility Commission, etc.), who do not have a commercial interest in the industry, must be allowed full discovery with regard to any proprietary elements. Aggregate results, which do not compromise the proprietary interests of the companies should be published.

46. Should a proxy model be adopted if it is based on proprietary data that may not be available for public review?

See the response to 45

47. If it is determined that proprietary data should not be employed in the proxy model, are there adequate data publicly available on current book costs to develop a proxy model? If so, identify the sources of such data?

See the response to 45.

48. Should the materiality and potential importance of proprietary information be considered

in evaluating the various models?

See the response to 45.

49. How would high-cost payments be determined under a system of competitive bidding in areas with no competition?

By proxy cost models.

50. How should a bidding system be structured in order to provide incentives for carriers to compete to submit the low bid for universal service support?

Low bidder takes all. The winning bidder should be awarded all of the subsidy for the area in which that bidder proposed to provide service. Losing bidders should not be allowed to receive any subsidy for the area.

51. What, if any, safeguards should be adopted to ensure that large companies do not bid excessively low to drive out competition?

Winning bidders should be required to provide service at bid prices for the full term of the contract.